

Haynes Boone Helps AEGIS as First CTA to Register with CFTC as a Swap Execution Facility

July 28, 2022 Phil Lookadoo

PRACTICES Energy Investment Funds and MLPs, Energy Regulatory, Energy Litigation, Energy Finance, Energy, Power and Natural Resources, Renewable Energy

On July 21, 2022, AEGIS Hedging Solutions announced that its subsidiary, AEGIS SEF, has received final approval from the Commodity Futures Trading Commission (CFTC) of its registration as a Swap Execution Facility (SEF), which makes AEGIS the first Commodity Trading Advisor (CTA) to register as a SEF.

Haynes Boone Partner [Phil Lookadoo](#), head of the firm's Washington, D.C., office, represented AEGIS in pursuing its SEF application, which took about 18 months to complete.

"The registration provides a seamless, lawful way for producers and consumers of commodities to get competitive bids/offers to address their hedging needs," said Lookadoo, who has been practicing law in the energy sector for more than 30 years. His practice is focused on advising clients about regulatory compliance and transaction documentation for energy transactions, energy projects, and derivatives, including renewable energy, battery storage, and carbon credits, under federal, state and international laws.

"AEGIS SEF is a step-change for advisor-assisted hedging," Justin McCrann, president of AEGIS SEF, said in a [press release](#). "The embedded compliance and underlying technology are step changes for a market that has historically operated through phone and chat-based negotiations."

The CFTC Staff advised AEGIS that a CTA or an introducing broker (IB) soliciting bids/offers for uncleared bilateral swaps on behalf of a client from more than one swap provider using phone, email, instant-messaging, or website is a "multiple-to-multiple platform" if the CTA or IB provides that same service to more than one of its clients. As defined in the Dodd-Frank Act amendments to the Commodity Exchange Act, only a SEF can operate such a multiple-to-multiple platform. Subsequent to this informal guidance, the CFTC Staff issued Staff Advisory Letter 21-19 and assured AEGIS that Staff's interpretation applies to commodity swaps.

Lookadoo explained that AEGIS had three choices for its CTA business (AEGIS-CTA): (i) cease soliciting uncleared bilateral swaps from multiple swap providers on behalf of its CTA clients, (ii) cause its CTA clients' uncleared bilateral swaps to be solicited and executed on a third-party's SEF, or (iii) form AEGIS SEF, register with the CFTC as a SEF, and allow AEGIS-CTA (and third-party CTAs and IBs) to use the AEGIS SEF Platform to solicit uncleared bilateral swaps from multiple swap providers.

With the successful CFTC registration of AEGIS SEF, AEGIS-CTA (and third-party CTAs and IBs) will now be able to use the AEGIS SEF Platform to help commodity producers, commodity consumers, and other commercial end-users exposed to commodity price volatility to hedge their exposure to commercial risk by soliciting and executing uncleared bilateral swaps, electronically through an Order Book and Request for Quote (RFQ) system, in a transparent, efficient, and regulatory-compliant marketplace.

Haynes Boone's [Energy, Power and Natural Resources Practice](#) handles critical matters for clients, including sophisticated financings, high-stakes transactions and complex regulatory issues. With offices in major financial centers in New York, Houston, London, San Francisco, Shanghai, Mexico City and Washington, DC, the group is well-positioned to help clients provide and access capital in markets around the world. The team also includes lawyers who were pioneers in providing legal services to the renewable energy industry, starting early with practices that include wind, landfill gas, solar, geothermal, and, now, battery storage systems.